

PP14767/09/2012(030761)

MMHE Holdings Berhad

“Multiple Awards worth RM527 million”

Malaysia Marine and Heavy Engineering Berhad (MMHE) has successfully secured multiple awards worth RM527 million for offshore structure fabrication works and RAPID electro mechanical, piping and structural works. We assume the new contract wins could replenish MMHE’s orderbook by 55% to RM1.48 billion. We value MMHE at RM1.04 and the stock is a BUY.

- **EPCC awards.** Petronas Carigali Sdn Bhd (PCSB) has awarded the contract of engineering, procurement, construction and commissioning (EPCC) of the wellhead platform (WHP) topside and jacket, telecommunication and instrumentation system tie-ins of the new F12 platform and telecommunication and instrumentation system tie-ins modification of the existing platform at Kumang Cluster gas fields, Sarawak. The project is schedule for delivery within the next 12 month.
- **RAPID works packages.** MMHE had snatched 4 works packages from RAPID consist of; i) RAPID Package 5 - centralised piping fabrication work, ii) RAPID Package 5 - refinery of gas (RoG) area piping and structural work, iii) RAPID Package 3 - electro-mechanical, piping and structural work and iv) RAPID Package 22 - plate structure prefabrication and fabrication work. RAPID Package 5 and RAPID Package 3 project are schedule to be completed by 2Q2017 and 3Q2017 respectively while RAPID Package 22 is estimated to be completed by 4Q2016.
- **Our view.** We are not surprise with the latest development as the group already said earlier its main intention to grab several works packages from RAPID project. We estimate the RM527 million contract wins could potentially boost its current

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HOLD (TP: RM1.04)

Current Price (RM)	RM1.00
New Fair Value (RM)	RM1.04
Previous Fair Value (RM)	RM1.20
Previous Recommend.	HOLD
Upside To Fair Value	4%
Dividend Yield (FY16)	NA

Stock Code	
Bloomberg	MMHE MK

Stock & Market Data	
Listing	MAIN MARKET
Sector	Oil and Gas
Shariah Compliance	Yes
Issued Shares (mn)	1,600
Market Cap (RM mn)	1,600
YTD Chg In Share Price	-44%
Beta (x)	1.73
52-week on Hi/Lo (RM)	1.82 0.89
3M Average Volume (shrs)	1.80mn
Estimated Free Float	10%

Major Shareholders	
MISC	67%
Technip	
Geoproduction	9%
LTH	6%

orderbook by 55% to RM1.48 billion which could last the group until 2017. Overall, the outlook still remain challenging heading into 2016 as the group's tenderbook has declined to RM4.0 billion compared to the earlier guidance of RM7.0 billion due to the delay in some major EPCC project including Kasawari gas project. Nonetheless, MMHE is currently bidding for several RAPID packages worth RM1.8 billion and other local and overseas projects worth RM2.2 billion.

- **Earnings outlook.** We maintain our FY15 and FY16 earnings forecast as the contract wins is within our FY15 new contract replenishment of RM1.5 billion. At this juncture, FY15 earnings are forecasted to decline by 20% y-o-y due to slower-than-expected new jobs replenishment in tandem with the softening in oil prices while FY16 are predicted to grow by 16% y-o-y fuelled by additional contribution from marine division from vessel repair works.
- **Valuation & recommendation.** We value our target price on MMHE at RM1.04 based on 13x PER (10% discount to last 3-years average low PER of 15x) pegged to FY16 EPS of 8sen and the stock is a **BUY** in line with the recent share price weakness..

Table 1: Peers Comparison (Calenderised)

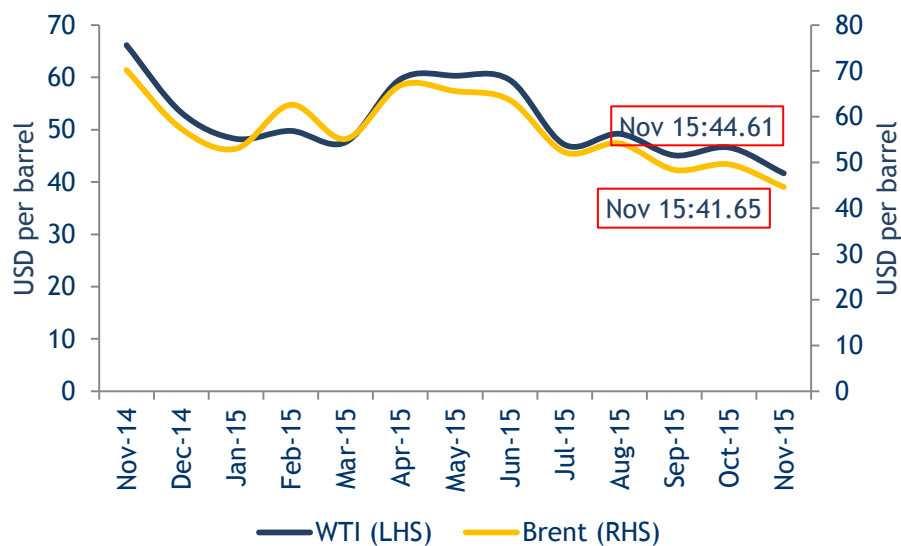
Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
SapuraKencana	Jan	2.66	18	19	12.5	11.3	1.0	0.9	7	2	2.55	Buy
Wah Seong	Dec	1.32	12	13	9.9	8.9	0.8	0.8	10	3	0.94	Hold
Bumi Armada	Dec	1.19	6	8	16.5	12.8	0.9	0.8	(3)	2	1.20	Buy
Dialog Group	Jun	1.62	6	6	28.3	25.8	4.1	3.9	16	1	1.60	Hold
MMHE	Dec	1.22	8	8	14.2	13.7	0.7	0.6	4	NA	1.04	Hold
PetDag	Dec	21.40	81	87	27.9	25.9	4.3	4.2	13	2	22.68	Hold
Dayang	Dec	2.63	18	21	9.6	8.2	1.6	1.4	18	2	1.71	Buy
UMW-OG	Dec	2.19	4	6	33.6	19.2	0.8	0.8	5	1	0.83	Sell
Perisai	Dec	0.55	1	2	40.6	13.5	0.4	0.4	2	NA	NR	NR
Perdana Petroleum	Dec	1.36	(0)	8	NA	19.0	1.5	1.3	6	1	NR	NR
TH Heavy	Dec	0.32	(1)	2	NA	10.5	0.5	0.4	(25)	NA	NR	NR
Petra Energy	Dec	1.42	10	13	12.9	9.4	0.8	0.8	8	2	NR	NR
Deleum	Dec	1.65	15	18	9.1	7.5	1.7	1.5	22	5	NR	NR
Uzma	Dec	2.32	20	24	11.0	9.1	1.9	1.2	17	2	NR	NR
KNM	Dec	0.64	6	7	8.9	7.5	0.4	0.4	3	NA	NR	NR
Average					18.1	13.5	1.4	1.3	7	2		

Source: Bloomberg, M&A Securities

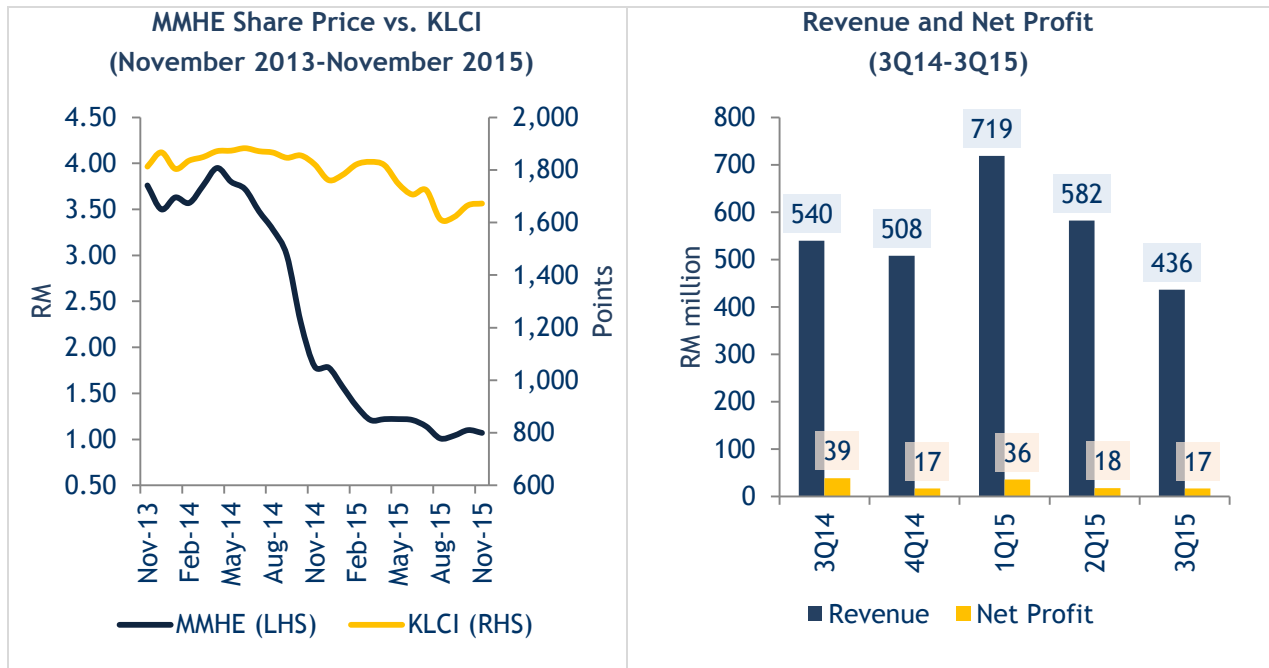
Table 2: Financial Forecast

YE: Dec (RM million)	FY12	FY13	FY14	FY15F	FY16F
Revenue	3,330	2,885	2,701	2,085	1,819
EBITDA	259	270	212	175	192
EBIT	202	202	135	102	117
Net Finance cost	0	(6)	(13)	(11)	(11)
Share of JV	(25)	1	(4)	0	0
PBT	177	198	119	91	106
Net profit	201	237	130	104	121
EPS (sen)	13	15	8	7	8
EBITDA margin	8%	9%	8%	8%	11%
EBIT margin	6%	7%	5%	5%	6%
PBT margin	5%	7%	4%	4%	6%
Net profit margin	6%	8%	5%	5%	7%
PER (x)	35.0	23.7	21.9	14.4	12.4
P/BV (x)	2.9	2.2	1.1	0.6	0.5
Dividend (sen)	10	5	NA	NA	NA
Dividend yield	2%	1%	NA	NA	NA

Source: Bursa Malaysia, M&A Securities

WTI vs. Brent Crude Oil Price
(November 2014-November 2015)

Source: Bloomberg



Source: Bloomberg, M&A Securities

M&A Securities

STOCK RECOMMENDATIONS

BUY	Share price is expected to be $\geq +10\%$ over the next 12 months.
TRADING BUY	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
HOLD	Share price is expected to be between -10% and $+10\%$ over the next 12 months.
SELL	Share price is expected to be $\geq -10\%$ over the next 12 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT	The sector is expected to outperform the FBM KLCI over the next 12 months.
NEUTRAL	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform the FBM KLCI over the next 12 months.

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